

THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY
USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT
POLICY

Voluntary Public

Date: 10/9/2013

GAIN Report Number: RO1327

Romania

Post: Bucharest

2013 Romanian Grains Exports Positioned to Flourish

Report Categories:

Agricultural Situation

Grain and Feed

Oilseeds and Products

Approved By:

Michael Henney, Agricultural Attaché

Prepared By:

Monica Dobrescu, Agricultural Specialist

Report Highlights:

Romania's 2013 crop yields show significant improvement over 2012 due to more favorable growing conditions during the year. 2013 production is projected up 26 percent for wheat, 50 percent for barley, and nearly 70 percent for corn as compared to last year. In addition to grains, the sunflower crop, a major crop in Romania, is expected to be up by 44 percent. The large supply of grains and oilseeds is placing increased pressure on farmers with inadequate storage capacity to sell crops immediately, subjecting them to lower market prices, and generating disappointment with many farmers who had hoped to recover somewhat from last year's poor profits.

General Information:

In 2013, favorable weather conditions in late spring ensured good plant development for wheat, barley, and rapeseed crops. Rainfall in June replenished spring crops and except for isolated hail storms, winter plant harvesting was productive. While prices gradually decreased between the spring and harvest period, there was a significant drop, 30 percent, between the periods immediately before and after harvest. Consequently, increased crop yields tend to deflate market prices, thus are not always beneficial to farmers.

Depending on their needs and farm structure, farmers may decide to sell their crops immediately after harvest, often when prices are lowest. Farmers must secure funds to finance the next round of crop sowing specifically wheat and rapeseeds, or to store part of their crop until spring with the expectation of higher prices. In general, storage is an option only for medium and larger farmers who either own storage space or can afford to rent storage space. Although storage capacity has expanded significantly in the past few years, storage costs remain prohibitive for small farmers.

Wheat

The wheat harvest is complete yields good, sustained by positive weather conditions through the growing season. Average estimated wheat yield of 3.5 MT/HA leads to a total production estimate of 7.2 MMT, an increase of 36 percent over the previous year and seven percent greater than the initial spring estimate. Estimates released by the Romanian Grains Organization (OIPA) indicate that nearly 60 percent of the wheat is of good or very good quality.

Current statistical evidence indicates that despite low output in 2012, Romania remained an active trader in international markets, where high global prices enticed larger Romanian exports. Total exports increased by 30 percent compared to MY 2011/12, reaching 2.75 million MT of which 1.95 million MT was shipped outside the European Union. Major EU destinations included Spain (242,000 MT), Italy (194,000 MT) and Greece (102,000 MT). Exports to non-EU countries were greater than expected as grain operators accessed new markets. In MY 2012/13, the greatest importer of Romanian wheat was Egypt (595,000 MT), followed by Jordan (221,654 MT), Libya (217,000 MT), Syria (133,000 MT), Lebanon (112,000 MT), Iraq (100,000 MT), and Turkey (93,000 MT). Romanian wheat was exported to new markets (no exports during the past six years) such as Morocco (137,000 MT), United Arab Emirates (53,000 MT), Iran, Nigeria, Mauritania, Senegal, and Congo.

For the current marketing year (June 2013 – July 2014), increased Egyptian market potential has afforded traders with being awarded significant contracts. Romanian wheat, nearly 800,000 MT, have been contracted for export to Egypt this marketing year, supporting expectations that Egypt will remain the primary destination for Romanian wheat. Wheat sales have slowed as spring crops are being harvested and farmers are beginning to sell sunflower seeds or corn.

Barley

In 2013, average yields for barley exceeded farmer's expectations. Recent data indicates an increase of 20 percent for barley yields compared to the previous forecast. Total production for winter barley and two-row barley is 1.45 MMT, exceeding last years' production of 0.97 MMT.

Barley's average yield is estimated at three MT/HA, but has exceeded six MT/HA for farmers adopting the latest technologies. The barley crop was affected by hail in limited, isolated instances. The drop in price for barley in periods immediately before and after harvest range from 13 to 25 percent, less dramatic compared to wheat, but still significant.

As with wheat, barley exports increased as well, reaching almost 800,000 MT during the MY 2012/13, of which 745,000 MT was destined outside the EU. The bulk volume of barley exported went to Saudi Arabia (428,870 MT), which has become a primary destination for Romanian barley. Iran (208,165 MT), Tunisia, and Jordan constitute the other dominant export markets.

Corn

Despite initial delays in planting, corn developed very well this year through proper temperatures and moisture during key development periods. The corn harvest is underway. Based on initial average yield reports, the estimated corn production may reach 10.3 MMT, which is a 70 percent increase over last year. The 2013 estimated yield of 3.9 MT/HA is significantly higher than that of 2012 when yield was 2.2 MT/HA, attributed to adverse weather conditions during the critical development stage.

During MY 2012/13 corn exports dipped due to low domestic availability. Exports reached one MMT in the first nine months of MY 2012/2013, which was equally divided between EU and non-EU destinations. This represents a 70 percent decrease compared to the same timeframe of the previous year when exports reached 3.2 MMT. The total volume of corn exports in the current marketing year is expected to reach those recorded two years prior at 3.5 MMT, due to increased corn supply through increased yields and lower demand from a shrinking livestock sector.

Rapeseeds

Favorable weather conditions led to increased rapeseeds yields, where production increased 17 percent compared to the previous estimate and four-fold compared to last year. The 2013 rapeseed harvest is estimated at 680,000 MT, compared to the short crop in 2012 of only 165,000 MT. Consequently, rapeseed exports are expected to approach more traditional levels this year. Yields varied between 1.4 MT/HA to 2.8 MT/HA, depending on localized weather conditions and farmers' adoption of newer technologies.

Sunflower

The sunflower harvest began early due to rapid ripening of heads. Based on initial average yields of 1.9 MT/HA, total sunflower seed production is projected to reach 2 MMT, a record sunflower seed crop.

However, prices are depressed compared to the previous year, affecting farmers' profits. This year's production ensures sufficient access of raw sunflower seed for both crushers and traders.

Inverted Tax on Grains and Oilseeds prolonged

In early 2013, one issue faced by grains traders was the expiration of the “inverted tax regime,” which allowed traders to export without paying in advance the 24 percent VAT on the exported volume. In the inverted taxation system, approved in June 2011, all transactions along the value chain up until the first entity processing the grains (milling) were VAT-free.

In May 2013, the “inverted taxation” scheme was initially prolonged for an additional year. However, following a recent EU decision to allow EU member states to introduce financial measures to diminish fiscal evasion, the measure was extended until 2018. Grains traders are favorable towards the extension, but other stakeholders are less content. As part of the scheme, farmers pay VAT (24 percent) on all purchases (inputs) but do not cash VAT on crops sold. Effectively, farmers are forced to pay VAT to the Romanian Government in advance. This impact is compounded due to the significant time lapse between the verification of farmers accounting books by the fiscal authorities and when farmers are VAT reimbursed. Reportedly, Romanian farmers may wait in excess of a year before being reimbursed on their VAT payment, far beyond the terms stipulated in the financial regulations.